REMARKS

I. Status Of Claims

Claims 1-21 are pending.

Claims 1-21 stand rejected.

Claims 1-9, 16, 18-21 have been amended.

No new matter has been added.

II. REMARKS/ARGUMENTS

Reconsideration of the application in view of the following remarks is requested. No new matter has been added by the amendments to the claims. Applicant further submits that the substance of the originally filed claims 1-21 has not been amended and not been made to overcome any prior art cited by the examiner. Accordingly, the amendments made are not related to patentability and do not alter or limit the substance of the subject matter claimed.

No new matter has been added. Accordingly, pursuant to MPEP 714.13, applicant's amendments should only require a cursory review by the examiner. The amendment therefore should be entered without requiring a showing under 37 CFR 1.116(b).

III. Rejection Under 35 USC 101

The applicant appreciates the examiner calling attention to the originally submitted claims as directed to non-statutory subject matter. Applicant's invention is structured within a programmed computer and associated methods as carried out by a program and a computer and as such has amended the claims to draw the invention within the technical arts and to emphasize that the invention produces a useful, concrete, and tangible result.

IV. Rejection Under 35 USC §103

The examiner has rejected claims 1-20 under 35 USC §103(a) as being unpatentable over Aquila et al (2002/035488) in view of Freedman et al (2002/0002475). It is the examiner's position with regard to independent claims 1 that Aquila "discloses a method for identifying select ones of insurance records which possess a favorable subrogation potential the method comprising: receiving data indicative of a plurality of claims (Page 5, Paragraphs 0094-0096); automatically calculating a base score to identify select ones of the claims which demonstrate at least a given probability of expected subrogation recovery dependently upon the received data (Page 11, Paragraphs 0214-0223)." Aquila does not teach subrogation as a subject and particularly anything that possesses "... a favorable subrogation potential". A word search of Aquila does not find the word "subrogation" used anywhere in the specification, abstract or claims. In fact, Aquila discloses "a centralized system and methods of administering, tracking and managing *claims processing*. More particularly, the system and method processes, tracks and releases funds for claims made upon insurance policies and similar risk shifting mechanisms including but not limited to self insurance, indemnity provisions and surety and performance bonds."

Subrogation is the assumption by a third party (as a second creditor or an insurance company) of another persons legal right to collect a debt or damage award. Subrogation is an activity or a business distinct from any of the activities that Aquila discloses. Aquila does not deal with this aspect of insurance, it deals with *risk shifting, through self insurance, indemnity provisions and surety and performance bonds*.

Freedman twice uses the word subrogation, but in neither instance is the context: "...automatically scoring each of the select claims dependently upon base scores and risk factors to provide a value indicative of an expected subrogation recovery" as suggested by the examiner. Instead, Freedman states that "Once repairs are completed, policyholders preferably accept their vehicles in step 126 (and assign subrogation rights to the Company) (pg. 8-9, Para. 130)." Then again, Freedman states, that "These payments, minus assigned surplus, along with other income 220 (e.g. capital gains, installment fees, deductibles, subrogation, cancellation fees, and others) may be placed in a working capital section 230 (pg. Para. 160)." That is the sole mention of subrogation in Freedman.

In the present invention, it is assumed that an insurance policy, under which a claim is made, contains a right of subrogation in favor of the insurance company, not the insured or anyone claiming under the indemnity provisions of the insurance policy. This is nearly always the case in auto insurance. Insurance companies often pay out the claim to the insured and then pursue the legally liable party to recoup the insurance company's costs and expenses. In some instances the right of recovery is transferred to others who may provide services of pursuing the legally liable parties and share the recovery with the insurance companies. Whether an insurance company pursues the legally liable party or it retains an agent for the insurance company pursues depends on whether the insurance company and often the agent believes that the effort will be successful. In order to accomplish this, the current invention reduces the decision making to an analysis of factors in terms of probabilities, which it rank orders on the basis of a base score and identified risk factors. Aquila does not teach this concept, even in the remotest way. Likewise, Freedman does not teach this aspect.

The references cited, individually or in combination, contrary to the examiner's position, do not teach, disclose, or provide the motivation for one skilled in the art to develop the novel features of the present invention as suggested by the examiner, as will be shown.

A claimed invention is *prima facie* obvious when three basic criteria are met. First, there must be some suggestion or motivation, either in the references themselves or in the knowledge generally available to one of ordinary skill in the art, to modify the reference or to combine the teachings therein. Second, there must be a reasonable expectation of success. And, third, the prior art reference or combined references must teach or suggest all the claim limitations.

As indicated above, Aquila does not mention subrogation and Freedman only mentions subrogation in the most off handed way. Therefore, taken together neither makes any suggestion or provides any motivation, either in the references themselves or in the knowledge generally available to one of ordinary skill in the art, to modify the reference or to combine the teachings therein, to arrive at the present invention.

Conceding arguendo that the Aquila steps (see, OA, 5A, Para. 1) recited by the examiner could be combined with the Freedman steps (see, OA 5A, Para. 2) the resulting invention is not what the current applicant invented. The combination would lack one or more of the claims of the present invention. Furthermore, the examiner indicates that " it would have been obvious to one of ordinary skill in the art at the time of the invention to have included the features of Freedman within the system of Aquila for providing numerous competitive advantages, including: policyholder premiums which are reduced when compared to policies offered by other profitable insurers; claims are processed in the most expeditious manner possible by high quality auto repair providers..." However, obvious as that may be, respectfully, it is not what the present applicant has invented. The present invention is: A method for identifying select ones of insurance records which ***possess a favorable subrogation potential***, the method including:

receiving data indicative of a plurality of claims; automatically calculating a base score to identify select ones of the claims which demonstrate at least a given probability of expected subrogation recovery dependently upon the received data; automatically identifying risk factors for each of the select claims; and, automatically scoring each of the select claims dependently upon the base scores and identified risk factors to provide a value indicative of an expected subrogation recovery."

Therefore, the third prong of the test fails because the prior art reference or combined references do not teach or suggest all the claim limitations in the present invention.

Applicant respectfully disagrees with and explicitly traverses the examiner's re-stated reasons for rejecting the claims. However, in the interest of advancing the prosecution of this matter, applicant has amended the claims to more clearly state the invention. Applicant believes that the present invention is not obvious in view of the references cited by the examiner.

With regard to claim 1, this claim teaches a system receiving data indicative of a plurality of claims; automatically calculating a base score to identify select ones of the claims which demonstrate at least a given probability of expected subrogation recovery dependently upon the received data. Neither Aquila or Freedman disclose a calculating a base score to identify select ones of the claims which demonstrate at least a ***given probability of expected subrogation recovery***.

Claim 2 depends on an allowable base claim, and is therefore allowable. However, claim 2 in addition looks for a subrogation recovery strategy recommendation and the recovery specialist checklists to optimize steps taken to recovery losses at minimum expense relate to subrogation. Neither Aquila or Freedman, however, discloses a system and method for subrogation recovery and there would be no motivation to include a part of the insurance system that is missing from the referenced systems. Additionally, the third prong of the obviousness test

fails because the prior art reference or combined references do not teach or suggest all the claim limitations in claim 2.

Claim 3 depends on an allowable base claim, and is therefore allowable. However, claim 3 in addition looks to receiving the data in electronic form for subrogation recovery. Neither Aquila or Freedman discloses a system and method for subrogation recovery and there would be no motivation to include a part of the insurance system that is missing from the referenced systems. Additionally, the third prong of the obviousness test fails because the prior art reference or combined references do not teach or suggest all the claim limitations in claim 3.

Claim 3 depends on an allowable base claim, and is therefore allowable. However, Claim 3 in addition looks to receiving the data in electronic form for subrogation recovery. Neither Aquila or Freedman discloses a system and method for subrogation recovery and there would be no motivation to include a part of the insurance system that is missing from the referenced systems. Additionally, the third prong of the obviousness test fails because the prior art reference or combined references do not teach or suggest all the claim limitations in claim 3.

Claim 4 depends on an allowable base claim, and is therefore allowable. However, Claim 4 in addition looks to providing a user interface; and extracting the data from the user interface for subrogation recovery. Neither of the references Aquila nor Freedman discloses a system and method for subrogation recovery; consequently there would be no motivation by one skill in the art at the time of the invention to include that part of the insurance system (i.e. subrogation) that was missing from the references. Additionally, the third prong of the obviousness test fails because the prior art reference or combined references do not teach or suggest all the claim limitations in claim 4.

Claim 5 depends on an allowable base claim, and is therefore allowable. However, Claim 5 in addition looks to calculating the base score comprises calculating a likelihood a payment

will be made by a legally liable party for subrogation recovery. Neither of the references Aquila nor Freedman mentions "likelihood of payment" or the variant probability either in connection with subrogation or otherwise, consequently there would be no motivation by one skill in the art at the time of the invention to include that part of the insurance system (i.e. subrogation) that was missing from the references. Additionally, the third prong of the obviousness test fails because the prior art reference or combined references do not teach or suggest all the claim limitations in claim 5.

Claim 6 depends on an allowable base claim, and is therefore allowable. However, Claim 6 in addition calculate a probable percentage of losses recovered through payments received form said legally liable party for subrogation recovery. Neither of the references Aquila nor Freedman mentions "likelihood of payment" or the variant probability either in connection with subrogation, consequently there would be no motivation by one skill in the art at the time of the invention to include that part of the insurance system (i.e. subrogation) that was missing from the references. Additionally, the third prong of the obviousness test fails because the prior art reference or combined references do not teach or suggest all the claim limitations in claim 6.

In response to what is to follow, we need to distinguish the various definitions that apply to the word "claim". Clearly in some instances it means the claim in the patent. In other instances it refers to a claim for recovery under and insurance policy by an insured. Finally, and most frequently in regards to the present invention the word "claim" refers to a subrogation claim. A claim by an insured and a subrogation claim by the insurance company are distinct legal rights, typically stemming from contract law.

Claim 7 depends on an allowable base claim, and is therefore allowable. However, Claim 7 in addition identifies at least one economic factor pertinent to said base score; and calculates a first adjustment dependently upon said identified at least one economic factor for subrogation

recovery. Although Aquila identifies an economic factor pertinent to a base score, it is not in the context of subrogation. Aquila indicates that "Once the score and the class of a particular set of claim data are determined the score and the class, in conjunction, through the application of the insurance carrier business rules, are used to determine ... the type or types of assignees that are necessary to fulfill the claim (pg.11, Para. 214). Subrogation has to do with the insurance company recovering its loss, not fulfilling its obligation to an insurance claimant. Consequently, there would be no motivation by one skill in the art at the time of the invention to include that part of the insurance system (i.e. subrogation) that was missing from the references. Additionally, the third prong of the obviousness test fails because the prior art reference or combined references do not teach or suggest all the claim limitations in claim 7.

Claim 8 depends on an allowable base claim, and is therefore allowable. However, Claim 8 in addition looks to identifying one collection efficiency or strategy pertinent to said base score; and calculating a second adjustment dependently upon said identified one collection efficiency or strategy for subrogation recovery. Neither of the references Aquila nor Freedman mentions either identifying one collection connection with subrogation and calculating a second adjustment dependently upon said identified one collection efficiency, consequently there would be no motivation by one skill in the art at the time of the invention to include that part of the insurance system (i.e. subrogation) that was missing from the references. Aquila indicates that "Next, the triage sub-system 220 scores 1103 the insurance claim by retrieving and applying a set of the insurance carrier's business rules, which can be seen as an insurance carrier scoring table, stored on the insurance carrier system, to the claim data. Scoring simply assigns different aspects or elements of the claim according to the insurance carrier's business rules, and then sums the numeric values associated with different aspects of a claim. Scoring sets the priority of the claim and may weigh such factors as (list excluded) (pg.10, Para. 0173)." The scoring simply

assigns different aspects or elements of the claim for purposes of determining the most efficient manner of handling a claim. Freedman does not refer to calculating a second adjustment (pg. 12, Para. 0217-0024). Subrogation has to do with the insurance company recovering its loss, not fulfilling it obligation to an insurance claimant, nor a claim per se. Consequently, there would be no motivation by one skill in the art at the time of the invention to include that part of the insurance system (i.e. subrogation) that was missing from the references. Additionally, the third prong of the obviousness test fails because the prior art reference or combined references do not teach or suggest all the claim limitations in claim 8.

Claim 9 depends on an allowable base claim, and is therefore allowable. However, Claim 9 in addition looks to a base score using said calculated likelihood a payment will be made, calculated probable percentage of losses recovered, calculated first adjustment and calculated second adjustment for subrogation recovery. Freedman does not mention calculating a base score using a calculated likelihood of payment, but only mentions payment in connection with an embodiment of the invention's as a financial management system that can handle various payment methods, consequently there would be no motivation by one skill in the art at the time of the invention to include that part of the insurance system (i.e. subrogation) that was missing from the references. Additionally, the third prong of the obviousness test fails because the prior art reference or combined references do not teach or suggest all the claim limitations in claim 9.

Claim 10 depends on an allowable base claim, and is therefore allowable. However, Claim 10 in addition looks risk factors are identified using additional data from at least one external database for subrogation recovery. Freedman does not identify the risk factors using at leas one external data base, consequently there would be no motivation by one skill in the art at the time of the invention to include that part of the insurance system (i.e. subrogation) that was missing from the references. Additionally, the third prong of the obviousness test fails because

the prior art reference or combined references do not teach or suggest all the claim limitations in claim 10.

Claim 11 depends on an allowable base claim, and is therefore allowable. However, Claim 11 in addition looks to risk factors address recovery expectations due to limitations of legal process (typically a statute of limitations) arising from state prohibitions for subrogation recovery. Freedman does not address recovery expectations due to limitations of legal process. Even if it did these would only have relevancy in connection with what Freedman is attempting and that is to satisfy its insured's claim and in some regards make more efficient the repair of the damage to the insured's property, consequently there would be no motivation by one skill in the art at the time of the invention to include that part of the insurance system (i.e. subrogation) that was missing from the references. Additionally, the third prong of the obviousness test fails because the prior art reference or combined references do not teach or suggest all the claim limitations in claim 11.

Claim 12 depends on an allowable base claim, and is therefore allowable. However, Claim 12 in addition looks to risk factors address recovery expectations due to state recovery limitations based on a said legally liable party's culpability for subrogation recovery. Freedman does not address recovery expectations due to limitations of legal process in connection with subrogation recovery, but a claimant's claim, which has little or nothing to do with subrogation. Again, Freedman is attempting and that is to satisfy its insured's claim and in some regards make more efficient the repair of the damage to the insured's property, consequently there would be no motivation by one skill in the art at the time of the invention to include that part of the insurance system (i.e. subrogation) that was missing from the references. Additionally, the third prong of the obviousness test fails because the prior art reference or combined references do not teach or suggest all the claim limitations in claim 12.

Claim 13 depends on an allowable base claim, and is therefore allowable. However, Claim 13 in addition addresses if other agencies have attempted and failed to recover on the subrogation claim, and where the agencies are selected to include attorneys, in house efforts or outside agents for subrogation recovery. Even if Freedman disclosed this step it would only have relevancy in connection with what Freedman is attempting, that is to satisfy its insured's claim and in some regards, and to make more efficient the repair of the damage to the insured's property. Consequently there would be no motivation by one skill in the art at the time of the invention to include that part of the insurance system (i.e. subrogation) that was missing from the references. Even if Aquila in view of Freedman might have made some invention obvious, it would not make obvious this invention since the prior art reference or combined references do not teach or suggest all the claim limitations in claim 13.

Claim 14 depends on an allowable base claim, and is therefore allowable. However, Claim 14 in addition looks to risk factors address expected difficulties is locating said legally liable party for subrogation recovery. Freedman discloses listing one or more convenient Aligned Provider locations. Freedman is attempting to satisfy its insured's repair claim and in some regards make more efficient the repair of the damage to the insured's property, consequently there would be no motivation by one skill in the art at the time of the invention to include that part of the insurance system (i.e. subrogation) that was missing from the references. Even if Aquila in view of Freedman might have made some invention obvious, it would not make obvious this invention since the prior art reference or combined references do not teach or suggest all the claim limitations in claim 14.

Claim 15 depends on an allowable base claim, and is therefore allowable. However, Claim 15 in addition looks to risk factors group consisting of: expectations due to limitations of legal process arising from state prohibitions, recovery expectations due to state recovery

limitations based on a said legally liable party's culpability, if other agencies have attempted and failed to recover on the claim, and expected difficulties is locating said legally liable party. Aquila is directing its activities towards the assignment of activities, none of which are related to subrogation, but to circumstances related to satisfying the payment of an insurance claim, not in liquidating a subrogation right (pg. 13, Para. 232). Aquila does not make obvious this invention since the prior art reference or combined references do not teach or suggest all the claim limitations in claim 15.

As regards Claims 16-17 each depends on an allowable base claim, and is therefore allowable. Claim 16 in addition looks to risk factors address expected difficulties is locating said legally liable party for subrogation recovery. Claim 17 looks at establishing a quantified values factor in expected collection expenses Each of these are important to subrogation success. Aquila deals with risk shifting, through self insurance, indemnity provisions and surety and performance bonds. Freedman (pg. 9, Para. 0130-0136) is attempting to satisfy its insured's repair claim and in some regards make more efficient the repair of the damage through a method of handling claims for the insured's property, consequently there would be no motivation by one skill in the art at the time of the invention to include that part of the insurance system (i.e. subrogation) that was missing from the references.

As regards Claims 18 each depends on an allowable base claim, and is therefore allowable. Claim 18 in regards to subrogation looks to calculating a liquidation value for said claim for each specified period of time; calculating an expected expense value for said claim for each specified period of time; and, calculating an quantified value for each specified period of time using said calculated liquidation and expected expense values. To restate, Aquila deals with risk shifting, through self insurance, indemnity provisions and surety and performance bonds. In regards to the reference cited by the examiner, it teaches validating a payment requires. This has

no relevancy in the present invention and therefore is not a factor in the method of the invention, consequently there would be no motivation by one skill in the art at the time of the invention to include validating a payment in a system designed for collecting on subrogation.

As regards Claims 19-20 each depends on an allowable base claim, and is therefore allowable. However, Claim 19 discounts said quantified values to provide net liquidation values for each specified time period. Claim 20 automatically calculates an expected probability a legally liable party will make a payment Each of these are important to subrogation success. Aquila deals with risk shifting, through self insurance, indemnity provisions and surety and performance bonds. Freedman is attempting to satisfy its insured's repair claim and in some regards make more efficient the repair of the damage to the insured's property, consequently there would be no motivation by one skill in the art at the time of the invention to include that part of the insurance system (i.e. subrogation) that was missing from the references.

As regards Claim 21 the present invention is drawn to a sequence of directions for automatically calculating a base score to identify select ones of the claims which demonstrate at least a given probability of expected subrogation recovery dependently upon the received data using said at least one computing device; a sequence of directions for automatically identifying risk factors for each of the select claims using said at least one computing device; and, a sequence of directions for automatically scoring each of the select claims dependently upon the base scores and identified risk factors to provide a value indicative of an expected subrogation recovery. Each of these sequences are important to subrogation success. As indicated above, Aquila deals with risk shifting, through self insurance, indemnity provisions and surety and performance bonds. Theses sequences would not apply and are not disclosed in Aquila. Freedman is attempting to satisfy its insured's repair claim and in some regards make more efficient the repair of the damage to the insured's property, consequently there would be no motivation by one skill

in the art at the time of the invention to include theses sequences. Freeman does not include them because they would not apply in the insurance system it disclosed. Such calculations as base score only apply to subrogation and this feature is missing from the references.

In Yamanouchi Pharmaceutical Co. v. Danbury Pharmacal, Inc., 231 F. 3d 1339, 56 USPQ2d 1641 (Fed. Cir. 2000), the court reflected on the importance of suggestion or motivation to combine references in an obviousness analysis by stating:

> an examiner ... may often find every element of a claimed invention in the prior art. If identification of each claimed element of the prior art was sufficient to negate patentability, very few patents would ever issue. Furthermore rejecting patents solely by finding prior art corollaries for the claimed elements would permit an examiner ... to use the claimed invention itself as a blueprint for piecing together elements in the prior art to defeat the patentability of the claimed invention ... To counter this potential weakness in the obviousness construct, the suggestion to combine requirements stands as a critical safeguard against hindsight analysis and rote application of the legal test for obviousness. Id. at 1644, quoting *In re Rouffet*, 149 F.3d 1350, 1357-58, 47 USPQ 2d 1453, 1457 (Fed. Cir. 1998)

Applicant respectfully submits that the examiner has impermissibly used the instant invention as a blueprint to modify Aquila and Freedman to include the claimed element but has still failed to show how the combined invention includes each of the elements claimed.

With regard to claims dependent from claim 1, these claims were rejected based in part on the same reason for rejecting claim 1. However, having shown that the present invention, as recited in claim 1, is non-obvious in view of the references cited, applicant submits that these dependent claims are also not obvious, and are allowable, by virtue of their dependence upon an allowable base claim.

Applicant submits that the reasons for the examiner's rejection of the claims have been overcome and can no longer be sustained. Applicant respectfully requests reconsideration, withdrawal of the rejection and allowance of the claims.

V. Claim Amendments

Applicant has submitted amendments to the claims to more clearly state the invention. No new matter has been added by the amendments to the claims. The amendments made are not related to patentability and do not alter or limit the substance of the subject matter claimed.

VI. Conclusion

Having addressed the examiner's objections to the specification and rejection of the claims under 35 USC §103, applicant submits that the reasons for the examiner's rejection have been overcome and can no longer be sustained. Applicant respectfully requests reconsideration, withdrawal of the objection and rejection and that a Notice of Allowance regarding claims 1-21 be issued.

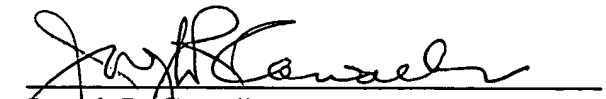
If the examiner believes that the prosecution of this matter may be advanced by a telephone call, the examiner is invited to contact applicant's attorney at the telephone number indicated below.

V. Fees

No fees are believed necessary for filing this election and response. However, the Commissioner for Patents is hereby authorized to charge any additional fees or credit any excess payment that may be associated with this communication to Duane Morris LLP deposit account **50-2061.**

Respectfully submitted,

Dated: March 30, 2004



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